

SPECIAL COMMITTEE ON ENERGY CONTRACTS AND RELATED ACTIVITIES

November 19, 2024 at 5:15 PM

Chairman O'Neil called the meeting to order.

The Clerk called the roll.

Present: Aldermen O'Neil, Terrio, Morgan, Kantor, T. Sapienza

Messrs.: T. Clougherty, K. Sampson,

1. Communication from Tim Clougherty, Public Works Director, requesting authorization to enter into Group Net Metering Credit Purchase Agreements with the terms and conditions being subject to final review and approval of the City Solicitor's Office with input and support from Competitive Energy Services.

Tim Clougherty, Public Works Director, stated with me to my left is Keith Sampson and to the right is Zack Hallock, both with Competitive Energy Services. They advise the city on purchasing electricity, natural gas and fossil fuels. They also consult with us and were the consultant that facilitated the development of the solar project on our Dunbarton Road landfill. They put out the competitive request for proposals that are the subject of the net metering credit power purchase agreements that are before this committee today. Essentially, as I state in my letter, the agreements that we are asking the Board to consider allow for developers to seek financing once the city has entered into these agreements and the financing would then support development of different solar projects. These solar projects are in Somersworth, Hinsdale, Strafford and Goshen. The smaller one with Freedom Energy is through a power pool. Essentially, for the benefit of the city enter into these agreements with the developers, they are able to seek financing. They get that financing and develop the project and in consideration of the city's commitment, they then give us a rebate associated with the energy that is produced and the revenue they are getting. It is estimated right now that in FY25 these agreements will generate \$17,000 in revenue. In FY26, it will be \$135,000 and in FY27-2045 about \$208,000 annually. These are estimated amounts and based on the default price of electricity which we all know fluctuates. If the price goes up, the city will generate more revenue and if it goes down it will be less revenue. Attached to the packet I have also included some standard agreements. These are to be negotiated with these developers. CES would take the lead and we would consult with our Solicitor to make sure that the terms and conditions are agreeable to the city. With that, I would be happy to entertain any questions the committee members may have.

Alderman Terrio stated I read the agenda and talked to you on the phone but it is still Greek to me. Can you give me the dumbed down aldermen version on what is going on here?

Mr. Clougherty replied they develop a solar facility and that facility generates power. That power then goes onto the grid and the electricity provider for that area is responsible, through legislation, for paying for that power. So they distribute the power after the solar facility generates it. So the solar developer gets a check and they cut us a rebate.

Alderman Terrio asked but this solar development is not going to be in Manchester correct.

Mr. Clougherty answered that is correct.

Alderman Terrio asked but they use our name to get better financing. I am still confused.

Keith Sampson, CES, stated it is really a rental of your invoice. In order for the developer to have a place to...they need to find a host for the financial credits so someone with a large utility bill is what the developers need through legislation in order to facilitate the transaction; the financial transaction. This program is only open to publics so the City of Manchester sits probably in one of the better spots here to host utilizing your purchasing of electricity.

Alderman Terrio asked are we going to be entering into an agreement with multiple vendors or just one.

Mr. Clougherty responded we put out an RFP and we got five different proposals back. There are three outlined here that we recommend the Board consider.

Alderman Terrio asked so you are recommending one.

Mr. Clougherty answered no we are recommending all three that are in your package.

Chairman O'Neil asked for clarification, Freedom Energy is hydro and the other two are solar correct.

Mr. Clougherty replied that is correct. The details are on page 5 of 54 on that spreadsheet.

Chairman O'Neil asked are the Ameresco projects Somersworth and Strafford and Hinsdale is Kearsarge.

Zach Hallock, CES, answered for clarity, Ameresco is just Somersworth. There are two parcels on one site in Somersworth and Kearsarge is a combination of Hinsdale, Strafford and Goshen.

Alderman T. Sapienza stated I looked at this closely and it appears that you have addressed my major concern with these types of deals. We are locking into a long-term contract and typically that includes market risk. We come in at a price today and five years from now the price is lower and we are stuck with the high price. Correct me if I am wrong but looking like this, it looks like we are going to get a 5% discount to the standard rate. That is going to fluctuate but we are always gone to get the 5% discount right for two of the projects?

Mr. Clougherty responded the Ameresco projects are offering a 20% discount and the Kearsarge product is 12.5%.

Alderman T. Sapienza asked so we are always going to be getting a discount to the standard rate.

Mr. Clougherty replied that is correct. The city is always guaranteed to make revenue under these agreements. The risk that the city has is if the solar industry, for some reason, changes and it hasn't changed very much over the past years but if there were to be more rebates or subsidies within the state of NH then these agreements could become more attractive and we wouldn't be making as much money under these agreements.

Alderman T. Sapienza stated the other question is are these companies obligated to provide this power.

Mr. Clougherty answered I don't think they are obligated to provide the power but it is in their best interest to make power because they have investments that they have made in development of the infrastructure.

Alderman T. Sapienza asked so they couldn't decide five years from now to sell the power to somebody else if somebody offered them a higher price.

Mr. Clougherty replied no. We will always be the host. Can they sell it to somebody other than the default electricity provider in that area?

Mr. Hallock stated no because it has to be physically moved to the grid so the utility has to take title to it.

Mr. Clougherty stated whoever the utility is in that area has to buy power.

Alderman T. Sapienza responded right but the point is we are always going to get our discount no matter where that power goes.

Mr. Clougherty replied that is correct.

Alderman Terrio stated it sounds like this is a win-win and we can only save money. This can't come back and hurt us correct?

Mr. Clougherty answered we are actually generating revenue. We are not saving money and you are absolutely right. There is no downside to the city here.

Alderman Morgan asked where would this revenue that we get go. Have we figured that out? Is it going to go to your department?

Mr. Clougherty responded that has yet to be determined.

Alderman Morgan asked is that something we can do here in this committee.

Chairman O'Neil stated no. I think most revenues, unless there is a dedicated fund, go into the general fund.

Mr. Clougherty stated we have had revenues that go into CIP projects that are specific to energy projects. For example, when we do any HVAC project, we will get rebates back either through Liberty Utilities if there is natural gas associated with it or Eversource. Those rebates then go into a dedicated CIP account that we use to do more energy projects.

Matthew Normand, City Clerk, stated unless the Board directs it to go to a different place, it would go to the general fund.

Alderman Morgan stated I would like to see it go to DPW because you are doing all the work. It should go directly to you to use however you see fit. I don't know how you would use it but you can figure it out.

Alderman T. Sapienza stated all the departments are using the electricity. If the money goes into the general fund, it can be used for every budget cycle. I don't think it should be dedicated at this point. That is not really our job. Our job is to bring the money into the city and there is already a mechanism for where it goes. We could say we are going to give them \$500,000 and then at budget time give them \$500,000 less. It is neither here nor there.

Alderman Morgan asked how much work is DPW going to be doing for this.

Mr. Clougherty answered there isn't a lot of heaving administrative lifting for this and CES is going to be helping us with that.

*On motion of **Alderman T. Sapienza**, duly seconded by **Alderman Terrio**, it was voted to approve the request.*

*There being no further business, on motion of **Alderman Kantor**, duly seconded by **Alderman Morgan**, it was voted to adjourn.*

A True Record. Attest.

A handwritten signature in black ink, appearing to read "Matthew Normand", with a stylized, cursive script.

Clerk of Committee